



KUO CHUAN PRESBYTERIAN SECONDARY SCHOOL  
2021 Preliminary Examination  
Secondary 4 Express

NAME

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## CLASS

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INDEX NUMBER

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## PRINCIPLES OF ACCOUNTS

7087/01

## Paper 1

26 August 2021

Candidates answer on the Question Paper.

1 hour

No Additional materials are required.

Setter: Mrs Tang Lai Chan

**READ THESE INSTRUCTIONS FIRST**

Write your name, class and index number on the cover page.

Write in dark blue or black pen.

You may use an HB pencil for any rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

The use of an approved calculator is allowed.

**Answer all questions.**

The number of marks is given in brackets [ ] at the end of each question or part question.

Parent's Signature	
<b>For Examiner's Use</b>	
Q1	/17
Q2	/11
Q3	/12
<b>Total</b>	<b>/40</b>

Turn over

This document consists of 8 printed pages including the cover page.

Answer all questions.

- 1 The trial balance of Fa Da's business balanced on 31 July 2021. However, the following errors have now been discovered.
- 1 A cheque received for a cash sale, \$1 300, for goods which had a cost price of \$350, had been correctly recorded in the inventory and cost of sales accounts. No other entries had been made.
- 2 Salaries, \$1 500, paid by cheque had been debited to the cash at bank account and credited to the salaries expense.
- 3 Office equipment, \$800, bought on credit was posted to the office equipment (supplier's) account in error.

**REQUIRED**

- (a) Prepare the journal entries to correct errors 1, 2 and 3. Narrations are not required.

## General Journal

[illegible]

[6]

(b) Complete the following table to show the effect on profit and assets of correcting errors 2 and 3. Error 1 has been completed as an example.

Error	Effect on profit		Effect on assets	
	Increase	Decrease	Increase	Decrease
1	✓		✓	
2				
3				

[4]

The following transactions took place during July 2021 with a credit customer, Beyonce.

2021	
July 6	Goods, \$2 100, were supplied to Beyonce.
15	Beyonce returned faulty goods, costing \$280.
18	Beyonce paid Fa Da \$600 by cheque.
22	Beyonce paid Fa Da the outstanding balance on his account by cheque.
24	The bank returned Beyonce's cheque due to insufficient funds.

The balance on Beyonce's account was still outstanding at the end of Fa Da's business financial year on 31 July 2021. Fa Da decided to write this balance off in full.

#### REQUIRED

(c) Prepare the journal entry to write off the outstanding balance at 31 July 2021. A narration is required.

#### General Journal

Date	Particulars	Dr (\$)	Cr (\$)
	Narration:		

[4]

(d) Explain why a business may decide to make an allowance for impairment of trade receivables.

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[2]

(e) Name one accounting theory which is applied when making an allowance for impairment of trade receivables.

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[1]

[Total: 17]

- 2 The following assets and liabilities were in Jacques's business on 30 June 2021.

	\$
Equipment	15 400
Long-term bank loan	9 000
Inventory	8 450
Trade receivables	27 460
Trade payables	21 100
Prepaid expenses	1 420
Bank overdraft	7 600
Cash in hand	670

**REQUIRED**

- (a) Calculate the following:

- (i) Current ratio to two decimal places.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

[2]

- (ii) Quick ratio to two decimal places.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

[2]

Jacques's current ratio on 30 June 2020 was 2:1.

**REQUIRED**

- (b) Give three possible reasons for the change in the current ratio between June 2020 and June 2021.

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

[3]

The following information about Jacques's business is available:

- The business pays its suppliers within 14 days of receiving an invoice.
- All sales are made on credit.
- The business purchases its inventory well in advance to meet possible demand.
- Jacques is considering asking the bank to increase its bank overdraft limit.

**REQUIRED**

- (c) Based on the above information, recommend two actions Jacques could take to improve the liquidity of the business. Give reasons to support your answers.

1. Action: \_\_\_\_\_

Reason: \_\_\_\_\_

2. Action: \_\_\_\_\_

Reason: \_\_\_\_\_

[4]

[Total: 11]

- 3 The following information was available for Desla Pte. Ltd. as at 31 July 2021.

	\$
Issued share capital 200 000 shares	300 000
Retained earnings at 1 August 2020	80 000
Profit for the year ended 31 July 2021	140 000

Additional information:

- On 31 July 2021, a final dividend of \$0.25 per share was declared and paid in full.
- On 1 August 2021, there was an issue of 80 000 shares for \$2.50 each. All the shares were sold and fully paid.

**REQUIRED**

- (a) Define:

(i) Retained earnings

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[1]

(ii) Dividends

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[1]

- (b) Prepare the journal entries for items 1 and 2. Narrations are not required.

**General Journal**

Date	Particulars	Dr (\$)	Cr (\$)
2021			
Jul 31			
Aug 1			

[Turnover

- (c) (i) Calculate the issued share capital on 1 August 2021.

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[1]

- (ii) Calculate the retained earnings on 1 August 2021.

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[2]

- (d) Prepare an extract of the statement of financial position as at 31 July 2021.


[3]

[Total: 12]

END OF PAPER



KUO CHUAN PRESBYTERIAN SECONDARY SCHOOL  
2021 Preliminary Examination  
Secondary 4 Express

NAME

CLASS

INDEX NUMBER

PRINCIPLES OF ACCOUNTS

7087/02

Paper 2

30 August 2021

Additional materials: 3 Writing papers

2 hours

Setter: Mrs Tang Lai Chan

READ THESE INSTRUCTIONS FIRST

Write your name, class and index number on your answer scripts.

Answer all questions.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [ ] at the end of each question or part question.

For Examiner's Use	
Q1	/20
Q2	/14
Q3	/16
Q4	/10
Total	/60

[Turn over

This document consists of 6 printed pages including the cover page.

Answer all questions.

- 1 The following balances were extracted from books of Tink Tonk Limited on 31 March 2021.

	\$
Issued share capital (200 000 ordinary shares @\$1 each)	200 000
Retained earnings 1 April 2020	25 200
Sales revenue	405 000
Cost of sales	109 500
Advertising expense	39 000
Property (Leasehold: 30 years)	300 000
Motor vehicles	165 000
Accumulated depreciation	
Motor vehicles	42 000
Property	30 000
Utilities expenses	20 900
Salaries expense	25 000
Rental expense	36 000
Trade receivables	32 200
Trade payables	8 700
Allowance for impairment of trade receivables	900
Inventory	20 400
5% bank loan repayable 31 December 2024	60 000
Cash at bank	22 600
Loan interest paid on 5% bank loan	1 200
	22200

Additional information

- Rent were paid till 30 June 2021.
- Utilities \$800 was still owing on 31 March 2021.
- Motor vehicles at 20% using the reducing balance method.
- Depreciation is charged on property.
- A repayment, \$8 000, on the bank loan is due on 30 June 2021.
- One of the trade receivables who owed \$300 was declared bankrupt. This amount has yet to be written off.
- It is the the business' policy to provide 5% allowance for impairment of trade receivables.
- A dividend of 25 cents for each ordinary share was declared on 31 March 2021. This amount had not been fully paid up.

REQUIRED

- (a) Prepare the statement of financial performance of Tink Tonk Limited for the year ended 31 March 2021. [10]
- (b) Prepare the statement of financial position of Tink Tonk Limited as at 31 March 2021. [10]
- [Total: 20]

2 Sandeep Singh set up a new business on 1 January 2020, to buy and sell sports shoes. He invested \$100 000 in the business bank account and \$2 000 in cash. On the same day he carried out the following transactions:

- Borrowed a loan from Bank Najib Bhd \$25 000.
- The annual rent, \$ 12 000 was paid by cheque.
- A cheque representing a 12% deposit on a motor vehicle, list price \$50 000, was issued to Hardly Davidson Motors.

REQUIRED

- (a) Prepare Sandeep Singh's cash at bank account on 1 January 2020. Bring down the balance on 2 January 2020. [5]
- (b) Explain the following terms:
- cash transaction; and
  - credit transaction. [2]

Sandeep Singh has been sourcing for several suppliers and has finally shortlisted two suppliers, ATAS Co and Classico Ltd. ATAS Co is a local business whereas Classico Ltd. is located in Indonesia.

Dear Mr Singh,

Thank you for your enquiry.

We carry about ten different local and international brands of shoes. The cost of these shoes vary between \$100 and \$500. We offered a total of 10 popular brands. You can refer to the catalogue attached as reference and ask for samples if needed.

We accept both cash and credit payments. All our customers are entitled to a 30-day credit period.

We allow customers to return any defective shoes within one-week of purchase.

We hope to hear from you soon.

Yours sincerely  
Mr Malan  
Sales manager of ATAS SHOES Co

	Classico Ltd. 15 popular brands of shoes. Price range - \$50 - \$400															
Cash only / Ready ship / Fast Dispatch/ In stock / Returns accepted within 1 week																
<p>Select brands:</p> <table border="0"> <tr> <td>Adibas</td> <td>Converse</td> <td>Karton</td> </tr> <tr> <td>Acher</td> <td>New Beam</td> <td>Yonez</td> </tr> <tr> <td>Keppa</td> <td>Asics</td> <td>Headz</td> </tr> <tr> <td>Niken</td> <td>Sketch</td> <td>Reemok</td> </tr> <tr> <td>Puma</td> <td>Slazinger</td> <td>Kels</td> </tr> </table>		Adibas	Converse	Karton	Acher	New Beam	Yonez	Keppa	Asics	Headz	Niken	Sketch	Reemok	Puma	Slazinger	Kels
Adibas	Converse	Karton														
Acher	New Beam	Yonez														
Keppa	Asics	Headz														
Niken	Sketch	Reemok														
Puma	Slazinger	Kels														
<input type="button" value="Cancel"/>	<input type="button" value="Confirm"/>															

REQUIRED

- (c) Look at the information above and recommend Sandeep Singh which supplier he should choose. Justify your answers with reasons. [7]
- [Total: 14]

- 3 Weiwei Ltd was considering the purchase of one of two businesses. Business A has provided the following information for the financial year ended 30 September 2021.

	\$
Average inventory	17 750
Gross Profit	39 600
Administrative expenses	6 500
Selling and distribution expenses	12 400
Owner's equity at 1 October 2020	180 000
Gross Profit margin	20%

Additional information:

- Included in the administrative expenses was a payment for rent, \$450, which covered a three-month period to 30 November 2021.
- A payment of \$600 had been omitted from the selling and distribution. ex

**REQUIRED**

- Calculate the following for the year ended 30 September 2021. Show all workings.
  - Turnover
  - Cost of sales
  - Profit for the year

[5]

- Copy the following table on to your answer paper.

Calculate to two decimal places, items (i) to (iv) for Business A and write your answers in the spaces provided in your table. Show your workings in the headed column on your answer paper.

Calculations for Business B has been done for you.

Summarised information for the year ended 30 September 2021.

		Workings	Business A	Business B
(i)	Gross Profit % mark-up			30.13%
(ii)	Profit % to sales revenue			12.15%
(iii)	Rate of inventory turnover			11.58 times
(iv)	Rate of return on owner's equity			12.50%

[5]

- Using the information from (b), select two ratios and compare the performance of Business A and Business B.

[6]

[Total:16]

- Mayer Co. purchased fixtures for \$8 000. The business accounts clerk has recorded this in the statement of financial performance as an expense.

**REQUIRED**

- State the effects on profit and assets if the cost of fixtures are recorded in the statement of financial performance as an expense. [2]
- Explain two differences between capital expenditure and revenue expenditure. [4]
- Copy the following table on to your answer paper.

Indicate whether the transactions are capital expenditure or revenue expenditure. Give one reason for your choice.

	Transactions	Type of expenditure	Reason
(i)	Cheque payment of import duty for new machinery.		
(ii)	Payment of insurance on delivery vehicle.		

[4]

[Total: 10]

END OF PAPER

[Turn over